



MEMORANDUM

DATE: August 16, 2019

TO: USAID/Nepal Acting Mission Director, Adriana Hayes

FROM: USAID OIG Asia Regional Office Acting Audit Director, Emily Gardiner /s/

SUBJECT: Financial Audit of the Ghar Ghar Maa Swasthya Program Managed by Nepal CRS Company Pvt. Ltd., Cooperative Agreement AID-367-A-10-00002, July 16, 2017, to July 16, 2018 (5-367-19-053-R)

This memorandum transmits the final audit report on the Ghar Ghar Maa Swasthya (GGMS) program. The Nepal CRS Company Pvt. Ltd. (CRS) contracted with the independent certified public accounting firm of KB Chitracar & Co. to conduct the audit. The contract required the audit firm to perform the audit in accordance with U.S. generally accepted government auditing standards (GAGAS) and USAID OIG Guidelines for Financial Audits Contracted by Foreign Recipients.¹

KB Chitracar & Co. stated that it performed its audit in accordance with GAGAS except that it did not fully comply with the requirements on having a continuing professional education program and external quality control reviews. KB Chitracar & Co. is responsible for the enclosed auditor's report and the conclusions expressed in it. We do not express an opinion on the recipient's fund accountability statement; the effectiveness of its internal control; or its compliance with the award, laws, and regulations.²

The audit objectives were to (1) express an opinion on whether CRS fund accountability statement for the period audited was presented fairly, in all material respects; (2) evaluate CRS internal controls; (3) determine whether CRS complied with agreement terms (including cost-

¹ On June 30, 2017, USAID OIG rescinded its Guidelines for Financial Audits Contracted by Foreign Recipients, recognizing the Agency's role to impose requirements on its implementing partners and contractors as a management function. The mission, however, asked the auditors in its contract to follow the Guidelines, and this contracted audit followed those Guidelines.

² We reviewed the audit firm's report for conformity with professional reporting standards. Our desk reviews are typically performed to identify any items needing clarification or issues requiring management attention. Desk reviews are limited to review of the audit report itself and excludes review of the auditor's supporting working papers; they are not designed to enable us to directly evaluate the quality of the audit performed.

sharing contributions) and applicable laws and regulations; and (4) determine whether CRS has taken corrective actions on prior audit report recommendations. To answer the audit objectives, the audit firm examined the fund accountability statement; evaluated the internal control system and assessed all related risks; tested compliance with agreement terms and applicable laws and regulations; and assessed status of prior audit recommendations. The audit covered program revenues and costs of \$2,312,525 and \$2,062,623, respectively, from July 16, 2017, to July 16, 2018.

KB Chitracar & Co. concluded that the fund accountability statement presented fairly, in all material respects, program revenues and costs incurred under the agreement for the period audited. The audit firm did not identify any questioned costs, material weaknesses in internal control, or material instances of noncompliance. The audit firm also issued a management letter to CRS identifying four internal control matters.

Regarding the review of cost-sharing contributions, the audit firm reported that CRS contributed \$655,524 for the period audited. The audit firm did not report any questioned costs on these contributions.

Finally, the audit firm reported that (1) CRS did not have a USAID-authorized provisional indirect cost rate; and (2) the one prior audit significant deficiency is being addressed and three management letter issues had been satisfactorily addressed.

During our desk review, we noted a few issues which the audit firm will need to address in future audit reports. We presented the issues in a memorandum to the controller dated August 16, 2019.

Given the above results of the audit, we are not making any recommendation for inclusion in USAID's Consolidated Audit and Compliance Tracking System. We appreciate the assistance extended during the engagement.

OIG does not routinely distribute independent public accounting reports beyond the immediate addressees because a high percentage of these reports contain information restricted from release under the Trade Secrets Act, 18 U.S.C. 1905 and Freedom of Information Act Exemption Four, 5 U.S.C. 552(b)(4) ("commercial or financial information obtained from a person that is privileged or confidential").

Attachment: a/s